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Contribution to GFR Project No. 14-2346

1. Attached is the material requested in support of the Soviet National Accounts paper for 1956 and 1957. The estimates presented are from material prepared in support of NIE 11-4-53 which is currently under consideration at GFR and therefore the estimates may be subject to change.

2. As noted in the attached table, the estimates are made in terms of 1955 rubles. It has not been possible to translate these into current rubles in detail since sufficient price information applicable to the recent time period is not available. Although Soviet statistics list a 3.4% decrease in the "cost of comparable industrial production" in 1956 (the latest figures available -- in FHS Translation No. 713, "The National Economy of the USSR, 1956," 17 September 1953), the substantial portion of this cost decrease is attributable to productivity changes. This effect is to some extent reflected in the estimates of major procurement inasmuch as some of the series are estimated on the basis of learning curves. (These series are identified in the table.) It would be inappropriate, therefore, to apply the Soviet cost reduction information on an over-all basis to the cost of material purchases. If it is deemed necessary to adjust the estimates to reflect current prices more closely it is suggested that among the material collect for analysis of the non-military sectors of the Soviet economy there should be some appropriate deflators that can be applied without serious bias to the individual series other than those estimated from learning curves.

3. The "Background Use Only" classification is employed because of exposure of the atomic energy estimate and can be removed if it is adequately buried.

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